



## **Corporate Social Responsibility: A Boon for Environment Protection & Sustainability**

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### **ABSTRACT**

*Sort the valuable from the worthless ensures the separation of wheat from the chaff. This is not denying the fact that theoretical planning or studying the principles for executing the elements of any subject in real sense is necessary. But theoretical aspect of anything has its own limitations. Unless and until, we go through the depth of anything in practical terms in order to deeply analyze its real application, one cannot predict the real growth of his country (or any other task). The same is applicable with the CSR fund. We all come across countless principles with respect to CSR fund, besides going through the detailed social responsibility of corporations to build their vicinities. But does this (CSR spent) really worthy of any credit for society, if one has no account of (CSR) projects, targeted and actual spent of CSR fund, their implementation, etc.? So, the focus of present study would encircle through this point only i.e., to deeply examine the CSR implementation for the protection of Environment or we can say, Environment Sustainability, in the targeted district of Madhya Pradesh. The study will be non-doctrinal in nature wherein data will be collected from the targeted 100 companies from the targeted districts and analyzed accordingly.*

Key words: CSR, Environment Sustainability, Profit, Agrarian reform

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### **INTRODUCTION**

CSR is a self-regulatory business model that enables a firm to be socially accountable to itself, its stakeholders, and the general public. Companies can be aware of their impact on all parts of society, including economic, social, and environmental, by exercising corporate social responsibility, also known as corporate citizenship [1]. CSR refers to a company's decision to operate in a way that benefits society and the environment rather than harming them in the usual course of business [2]. CSR has evolved into a common practice across many industries. The majority of businesses seem to be enthusiastic about different CSR and charity projects [3]. However, there are several alternative perspectives and answers on the issue of whether CSR expenditure benefits individuals in need or supports already-existing money or programmes [4]. The majority of companies have long engaged in some kind of corporate social and environmental responsibility, with the overall goal of giving back to the society and community upon which they depend [5].

To regard CSR as a business discipline and mandate that each initiative generate a profit, however, is under criticism. All is fine if CSR programmes increase business earnings, enhance reputation, and minimize risk. These successes should, however, be a result of many CSR programmes rather than the reason for their existence.

To add clarity and discipline to their CSR strategy, businesses must focus their CSR efforts on core objectives and put a systematic process in place.

### **HISTORICAL ROOTS OF CSR IN INDIA**

Corporate participation in social initiatives that support the development of the nation has a long and distinguished history in India. The early years had little evidence of social responsibility programmes [6]. JRD Tata, who has always emphasized the need of doing more than merely being good citizens, pointed out that there are several chances for industrial and business enterprises to contribute to public welfare outside of their usual activities after independence.

Since that time, there has been a rising understanding of the significance of taking part in social activities on a global scale and a desire to improve one's personal surroundings. It was gradually realized that firms had to pay a percentage of social overhead costs, at least in principle [7]. The focus of mainstream development and concern for socially disadvantaged individuals shifted away from charity and

conventional philanthropy in the latter decade of the 20th century in favor of more direct economic participation. This has advanced both locally and internationally due to rising public and governmental expectations [8].

In India, where there is a significant financial and quality of life difference, an ideal CSR contains both ethical and philosophical components. India became the first nation in the world to make CSR obligatory in April 2014 as a result of an amendment to the Companies Act, 2012 that took effect.

## **METHODS AND MATERIAL**

The present study would be encircled around the N100 corporations' CSR policies focusing the base year 2014 till 2019 i.e., 2019. Their yearly reports were gathered from public sources. Sub-parameters under each of the important parts – CSR policy, CSR committee, CSR disclosure in annual reports, specified format on CSR, N100 company expenditure were evaluated based on the kind of company which is as follows:

1. PSUs vs. NON-PSUs
2. Indian origin v/s non-Indian origin

The targeted corporations (top in ranking as per their annual turnover) would be from 10 districts of Madhya Pradesh. Those districts are Gwalior, Satna, Indore, Dewas, Singrauli, Bhopal, Ujjain, Sagar, Seoni, Hoshangabad

## **RESULTS AND DISCUSSION**

### **Introduction of Sec 135**

Over the previous five years, the study has observed a significant growth in compliance with Section 135 standards. More and more businesses are adhering to the majority of the standards set forth in the Companies Act of 2013, including corporate social responsibility (CSR) policies, committees, and yearly CSR report, to mention a few.

The trend in Indian corporations' (specially in MP) CSR spending clearly demonstrates their willingness to contribute to the nation's development. In the current year, 76% of businesses have spent 2% or more, representing a stunning 100% growth over the previous five years. From 2014-15 to 2018-19, N100 firms have spent a total of INR 35077 crore.

The Ministry of Corporate Affairs (MCA) has recently issued notices requesting explanations from enterprises that have failed to spend 2% of their revenue, as well as the imposition of penalties and penalties. While the Act (as of 31 March 2019) stipulates that corporations must "either spend, or explain the reason for not spending the 2% authorized CSR budget," more than 60% of enterprises that have not spent the 2% have stated their intention to carry forward the funds.

### **SDG AND COMMUNICATION**

The CSR policy states that 13% of businesses have aligned their CSR initiatives with the "Global Goals for Good - SDGs." In contrast to India Inc.'s expanding trend of creating CSR foundations, emphasis is placed on collaborating and working in cooperation with various stakeholders to successfully complete SDG Goal 17. Health and education were identified as the SDGs with the lowest performance in the SDG India Index, which was released in December 2018 by the National Institution for Transforming India (NITI) Aayog, a leading policy think tank of the Government of India. Among other things, the NITI Aayog's Aspirational District Program puts a high priority on health and education (60 percent weightage), necessitating innovation to solve the problems in these areas. Over 60% of India Inc.'s (N100) annual CSR budget is allocated to health and education.

One out of every three businesses have already connected the SDGs to their yearly CSR reporting. It will be interesting to see if MCA revisits the current 'Annual Disclosure on CSR beyond mere spending'; for example, a cost-benefit analysis of a company's CSR efforts based on inclusion, relevance, effectiveness, convergence, and sustainability. With India Inc. (N100) reaching its pinnacle (satisfying CSR disclosure in required format).

### **FOCUSAREA**

Over time, spending on 'local is preferred' has increased. Eighty percent of businesses have shown a preference for the location where they are present (as described in their CSR policy), and eighty percent of businesses have undertaken projects in the area where they are present (neighborhood). This demonstrates targeted corporation's (N100) willingness to contribute to the well-being of stakeholders (mostly communities) in the vicinity of its operations, which may result in increased brand recall among these stakeholder groups.

### **DISCLOSURE ON AREAS OF INTERVENTION (I.E. ENVIRONMENTAL CONCERN) IN THE CSR POLICY**

The Act requires that information on the thematic areas of CSR interventions be disclosed. Ninety-nine percent of the N100 companies who have a public CSR policy have provided specifics about their CSR intervention areas focusing environmental concerns. For the fifth time in a row, one company (PSU) has failed to give these facts. In addition, the quality of information offered in CSR policies about "areas of intervention" has improved. Companies referred to all Schedule VII activities as "areas of intervention" during the first year of the CSR requirement (2014-15).

#### **DISCLOSURE ON AMOUNT SPENT ON ENVIRONMENTAL SUSTAINABILITY**

The annual report's disclosure of the CSR expenditures shows that the Board is responsible and owned by the CSR spending on environmental initiatives. In their annual reports, 99 percent of the N100 companies have revealed specifics about their environment-centric CSR spending, a 175% increase from 2014-15.

#### **SCHEDULE VII WISE CSR EXPENDITURE**

The average project cost is higher for rural development (INR6.4 crore), education (INR4.5 crore), and health (INR4.5 crore) (INR3.26 crore). Disaster management, slum areas, and PM relief funds are the top three Schedule VII activities where the average project cost has increased significantly; however, there has been a decline in both the number of projects and the average project cost for arts and culture, war veterans, and the environment.

As part of its CSR endeavors this year, the targeted corporations have clearly displayed a 'engendering process.' Women make up 38% of companies with a CSR committee, and 38% of those with a CSR committee have a female chairperson. It's worth noting that the amount of money spent on Schedule VII (3)'reducing inequality' by these companies (where women are the CSR committee Chairpersons) has climbed by 200 percent from 14 percent in 2016-17 to 42 percent in 2018-19. This is a great example/case study of 'gender budgeting' being central to a company's CSR concept.

#### **ACTUAL IMPLEMENTED PROGRAMMES BY TARGETED COMPANIES**

Targeted enterprises (N100) completed 2070 environmental initiatives in the current fiscal year, up from 1517 in the previous fiscal year, a 36% increase. With a total cost of INR1199 crore and an average cost of INR2.52 crore, the direct manner of implementation accounted for 475 projects (the lowest of all modes of implementation).

Corporate foundations implemented 148 projects with an expenditure of roughly INR644 crore and an average cost of INR4.35 crore per project (an increasing trend compared to the previous two years, but the least among all modes of implementation during the current year), which was interestingly the highest per capita project among all modes of implementation.

1231 projects were carried out with the aid of external implementing agencies at a cost of INR4004 crore, with an average project cost of INR3.25 crore (the highest among all modes of implementation). With 189 projects totaling INR2525 crore and an average cost of INR13.35 crore, projects that included all three options accounted for 189 projects (the most expensive when using more than one form of implementation).

#### **COMPARISON BETWEEN PSU CSR SPEND & NON-PSU CSR SPEND FOR ENVIRONMENTAL SUSTAINABILITY**

The mandatory CSR expenditure for PSU companies has grown by nearly 26% in the current fiscal year, from INR1904 crore in 2016-17 to INR2397 crore in 2018-19, despite a decline in the number of PSU companies. Spending on required CSR by non-PSU businesses increased by 47% in the most recent fiscal year, from INR4183.4 crore in 2014-15 to INR6150 crore in 2018-19. More than two-thirds (80%) of non-PSU firms have spent 2 percent or more of their CSR budget, compared to just 50% of PSUs that have (47%) spent at least that amount.

It's important to note that PSU barely met the necessary level of CSR spending in 2014-15, spending only 71% of its budget. But there has been a significant increase this year, with a 105 percent increase in spending (against the demand of INR2397 crore, INR2525 crore has been spent).

Non-PSU firms' total CSR expenditure increased by more than 76 percent in the most recent fiscal year, from INR3486 crore in 2014-15 to INR6137 crore in 2018-19, however it was still less than the permitted INR6150 crore.

Around 84 percent of all spending on Welfare Funds under Schedule VII has come from PSU businesses. This implies that the government is meddling with the CSR initiatives of PSU enterprises. Technology incubators were funded entirely by non-public sector organizations.

#### **COMPARISON BETWEEN INDIAN ORIGIN CORPORATIONS & NON-INDIAN ORIGIN CORPORATIONS: ENVIRONMENTAL CSR SPEND**

The Act requires that the annual report include a summary of the CSR policy as well as a link to the policy's website. As of September 30, 2019, 2% of Indian origin companies had failed to provide details about their concern for environment sustainability in their CSR policy, with one company failing to do so for the past five years. These facts have been given by 100% of non-Indian origin companies. For non-

Indian origin enterprises, the availability of CSR policies in the public domain has improved to 100%, up from 94% in the first year of disclosure on their attempts for environmental concern. The percentage of non-Indian origin enterprises that include their CSR policy weblink in their annual reports highlighting the environment safeguard, has increased to 100% from 94 percent in the base year.

97 percent of firms of Indian origin have environmental protection included as one of their areas of action in their CSR strategy, compared to 51 percent in the base year. All businesses with non-Indian origins have disclosed these details, which is a significant improvement in openness over the prior year and a 67 percent increase. Only 10% of businesses of Indian origin and 38% of businesses without Indian ancestry have linked their CSR efforts to the UN's Sustainable Development Goals (SDGs).

Despite not spending the required 2% of their CSR budget and having no mention of carryover in their CSR policy, 63 percent of businesses (all of Indian origin) have said in their annual reports that they would carry over any unused CSR funds to the next year.

## CONCLUSION

Under Section 135 of the Companies Act of 2013, India began a significant experiment in regulating Corporate Social Responsibility (CSR) for big enterprises. Although it is a requirement that these businesses devote at least 2% of their earnings to CSR, companies are free to declare when they fall short of that target. However, the Act requires that these companies establish a CSR committee that creates, evaluates, and recommends CSR expenditure on the Board of Directors. The Board must also establish and make public the CSR policy, as well as provide a specific breakdown of the company's CSR expenditures in the annual report.

In order to address the nation's serious environmental challenges, large corporations in India are used in this way (17 PSUs and 8 companies of non-Indian origin in 2019). Even while the financial contribution may be negligible in compared to government social sector expenditure, business practises and inventive and creative skills may be used to social challenges, therefore corporate engagement can deliver much more than just financial benefits.

As shown in the present study, 17 of the 23 compliance metrics have a compliance rate of 92% or better. The most serious flaws concern the treatment of administrative or overhead costs. In terms of CSR spending, 76 percent of enterprises report spending at least 2% of profits, up from 38% in 2014-15, with non-PSU companies performing particularly well in 2018-19 (as is the case across the compliance parameters). In 2018-19, INR8691 crore (about USD1.22 billion) was reported as spent, up from INR5115 crore in 2014-15. Only one firm in the N100 fails to declare the amount spent, which has climbed from 30% in 2014-15 to 99 percent in 2018-19.

## CONFLICT OF INTEREST

The researcher declares no conflict of interest in this research study.

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